

Integrative Agreements in Multilateral Negotiations: The Case of Fiat and Chrysler

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Abstract

Theory defines negotiation as a continual interpersonal interactive process of decision making. Multilateral negotiations are differentiated from bilateral negotiations because of their wider size, bigger complexity and greater heterogeneity. Management studies relating to negotiations have focused mainly on the negotiation processes between companies, customers and suppliers, and industrial relations. Less investigated, however, are the negotiations involving two companies that design strategic paths of cooperation, especially regarding the effect of the intervention of outside (third) parties. The aim of this paper is to understand the role that the *third who joins* (a key stakeholder in this case) can play in multilateral negotiations in achieving integrative agreements, through the analysis of the case studies relating to the treaty put in place between Fiat and Chrysler to establish a strategic alliance in the automobile sector.

Keywords: Multilateral Negotiation, Integrative Agreement, Fiat, Chrysler, Strategic Alliances, International Business

1. Introduction

What is the effect of a *third who joins* into a negotiation which was initially distributive and bilateral? Can this entry at the *table* shift the negotiation, which is now multilateral, from distributive to integrative? How? The deepening of the decision-making processes commonly known as "negotiations" has been always dear to scholars in management, within the studies on strategic cooperation between companies (Fisher, Ury, & Patton, 1981; Komorita, 1985; Kramer, 1991; Lax & Sebenius, 1986; Lewicki, Weiss, & Lewin, 1992; Raiffa, 1982; Sheppard, 1984; Walton & McKersie, 1965; Zartman, 1977). Over the years, these studies have contributed to the construction of the so-called *negotiation theory*, which has assumed the development of techniques and models designed to solve political problems as the primary target of investigation.

Management studies relating to negotiations have mainly focused on negotiation processes between companies, customers, suppliers, and industrial relations. The negotiations involving two companies that design strategic paths of cooperation – or have to implement a designed one – are less investigated, especially those concerning the effect of the intervention of outside (third) parties. I intend to focus on the latter.

Through the analysis of the case studies relating to the negotiation between Fiat and Chrysler to establish a strategic alliance in the automobile sector, the article would like to investigate how the entry of interested third parties can influence the dynamics of a negotiation process. In particular, this work shows how this input has allowed the management of a critical deadlock.

The adopted analytical approach has been drawn from the deliberations of James K. Sebenius (1983, 1992).

In terms of theory and practice, the observations made from the analysis may be a convenient starting point for developing models of the government's dynamics of negotiations, focused on a strategic management of the parties and their interests.

The work is developed with an initial critical review of the literature, aimed at deepening awareness about the research question. The research methodology adopted and the analysis of the case study will follow. The work is concluded with a discussion on the evidence provided from the analysis, with an underlying reflection on the most important implications for future research efforts.

2. The Fiat-Chrysler Negotiation

The international strategy of Fiat has been characteristic of the Italian-based company since the early years of the twentieth century. Since 1908, when Giovanni Agnelli decided to open the U.S. market, Fiat has been facing the strategies of internalization several times with mixed success.

In 2009, Fiat was one of the world's automakers which seemed less affected by the economic crisis. Thanks to the work of its CEO Sergio Marchionne, the company was strong with respect to financial and performance data. Chrysler, on the other hand, after the failure of the merger with Daimler-Benz and the acquisition by the fund Cerberus Capital Management, entered 2009 with a financial and economic instability that led to bankruptcy. The continued decline in sales over the last ten years brought the number of cars sold from 2.6 million in 1999 to 1.4 in 2008 (Chrysler Group LLC Annual Sales Reports, 1999-2008).

To survive and repay maturing debt obligations, Chrysler received some funding from the U.S. government in late 2008. However, the debts were tied to the achievement of a satisfactory turnaround plan, for which it was necessary to find an industrial partner to provide advanced technologies. This was the main reason for the tentative agreement with Fiat.

The final agreement was signed on June 10, 2009¹. The beginning of the negotiation process, from which this agreement comes, may be traced back to January 20, when Fiat and Chrysler jointly signed a non-binding letter of intent for the creation of a 'global strategic alliance'. Table 1 presents the chronological reconstruction of the main events.

¹ "On 10 June 2009, Chrysler Group LLC and Fiat finalized an agreement to establish a global strategic alliance and the new Chrysler became operational on the same date. The agreement grants the U.S. automaker access to Fiat technology, platforms and powertrains for small and medium-sized cars, which are amongst the most innovative and advanced in the world. This will enable Chrysler to expand its product offering with the addition of low environmental impact models. Chrysler will also have access to Fiat's international distribution network. The alliance represents an important step toward positioning both Fiat and Chrysler among the next generation of leaders of the auto industry globally. As consideration, Fiat received an initial equity interest of 20% in the newly-formed Chrysler Group LLC, which could increase up to a total of 35% upon achievement of specific pre-established targets. The agreement does not contemplate any cash investment in Chrysler by Fiat or commitment to fund Chrysler in the future. Fiat will also have the right to acquire a majority interest in Chrysler once all government loans have been fully repaid. The alliance is expected to bring enormous benefits to both companies by giving them the critical mass necessary to compete at a global level. Fiat will also be able to expand its geographical footprint by leveraging new market opportunities such as a return to the US market and introduction of new models in Europe. Fiat's presence and experience in the smaller car segments combined with Chrysler's presence and experience in the medium and larger segments will enable the Group to offer a full range of products" (Annual Financial Report at 31st December 2009, Fiat Group, page 65).

Table 1 - Chronological reconstruction of Fiat-Chrysler agreement (20 January 2009 – 10 June 2009).

| Events timeline | |
|------------------|---|
| January 20, 2009 | Joint press release of Fiat and Chrysler which announced the agreement on a possible alliance. |
| February 17 | Chrysler's restructuring plan presented to the U.S. government, requesting a new loan. |
| March 5 | Sergio Marchionne at the hearing of the U.S. government Task Force. |
| March 31 | U.S. government's ultimatum: agreement has to be perfected within 30 days or start the procedure of Chapter 11 ² . |
| April 25 | Agreement reached with the unions on the restructuring plan for Chrysler. |
| April 30 | Green light for the agreement from the U.S. government through the use of Chapter 11. |
| May 7 | The Bankruptcy Court in New York starts the auction on the assets of Chrysler. |
| May 31 | The Bankruptcy Court approved the Fiat-Chrysler plan. |
| June 10, 2009 | Green light to the agreement by the Supreme Court; Sergio Marchionne was appointed CEO of Chrysler Group LLC. |

According to the 'January 20' agreement, Fiat would provide licenses to use platforms for Chrysler's fuel-efficient vehicles, engines, transmissions and components, in order to produce in its plants. The two companies would also have access to their distribution networks. As consideration, the letter of intent states that Fiat would receive an initial 35% stake in Chrysler, with an option to purchase an additional 20% after twelve months.

For Fiat, on the one hand, the agreement would mean the availability of selling technologies that have resulted in significant investments, and will have access to markets with great potential, through the launch of brands such as Alfa Romeo and Fiat 500. It would thus resume the path of internationalization in the United States, several times initiated and then stopped by the company in the second half of the twentieth century.

For Chrysler, on the contrary, the agreement with Fiat was a big part of the recovery plan submitted to the U.S. government and is consistent with the terms and conditions for the granting of the received funds: corporate restructuring and conversion of production towards environmental-friendly vehicles.

However, the situation immediately presented an impasse: i) Chrysler needs additional funding to ensure business continuity and the agreement with Fiat is necessary in order to launch a business plan to meet the demands of the U.S. government; ii) Fiat does not intend to invest cash in the transaction; iii) the U.S. government is undergoing internal criticism on the granting of loans combined with the "handover" of Chrysler; iv) the creditors of Chrysler do not intend to give up their claims and, therefore, are willing to face the failure of the company.

In the present context, a great effort of integration was carried out by Sergio Marchionne in a series of meetings with the staff of the President of the United States; he made them understand the need to support the alliance for the survival of Chrysler. And, consequently, , at the end of March, the White House made public the decision to provide Chrysler with the required new loans, conditioned to a more drastic restructuring plan. The company received an ultimatum: 30 days to get into the agreement with Fiat, or there would be the bankruptcy. The U.S. government also required that the entry of Fiat in the stake of Chrysler occurred more gradually than originally planned: instead of immediately having a 35% stake, Fiat would have an initial 20%, which would increase hand in hand with the planned transfer of technologies. These shares did not, however, rise above 49% until the full reimbursement of the public lending by Chrysler. In short, this ultimatum put Fiat in a favorable position for the negotiation.

At this point, the negotiations between Chrysler and the team of creditors and unions opened, also attended by Fiat. In the negotiations entered the government of the United States, in order to ensure the funding for the agreements. There again came an impasse between a minority of creditors and other parties, which could be resolved at the negotiating table only with a unilateral intervention by the government.

²Chapter 11 is a chapter of the United States Bankruptcy Code, which permits reorganization under the bankruptcy laws of the United States.

By using the procedure of Chapter 11 after the agreement with the unions they effectively excluded the creditors from the negotiation process. Previously, in fact, the government had guaranteed the same nominal value of pension credits claimed by the unions, in exchange for wage reductions required by the business plan.

The agreement reached with Fiat expected the creation of a new company, which included the assets of Chrysler, which had the following shareholding structure: 55% of the share capital to the unions (to guarantee pension credits), 20% to Fiat (with the possibility of arriving to 51%, based on the achievement of certain targets), and the remaining part of the ownership to the government of the United States.³

The agreement became effective in June after the pronouncement of the Supreme Court on a series of actions brought by creditors dissatisfied with the percentage recovered through the application of the Chapter 11 process. Fiat, through its subsidiary Fiat North America LLC, acquired 20% stake in Chrysler Group LLC.

3. Literature Review

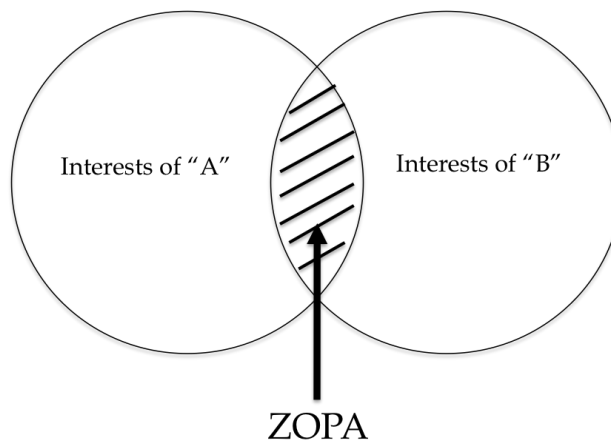
Companies, seen as rational systems, choose their competitive position through decisions on more strategic options. In these contexts, the literature agrees that cooperation strategies can often lead to a number of benefits, including improved communication, closer relationships between suppliers and customers, and sharing some of the processes (co-design and co-production). All of this is of particular significance in the context in which businesses can hardly auto-generate the innovation needed to effectively respond to the needs of the market, because of the lack of know-how or funds.

The negotiation processes are an important aspect of the cooperation activities. They improve negotiation skills and increase the ability to negotiate effectively and they are crucial not merely in managerial, political, and business contexts.

The negotiation theory, which has a prescriptive nature, emerges as a synthesis between the economic-mathematic approaches and the socio-psychological approaches. The landmark works to be considered in this literature are two: the Fisher, Ury and Patton's (1981) study, closer to the psychological and behavioral doctrines and influenced by them, and the Raiffa's (1982) analysis, closer to the game theory and the mathematical and statistical disciplines. These works, which are associated with the study of Lax & Sebenius (1986), contribute to the spread of the negotiation theory in management.

This theory implies that actors are not perfectly rational, with emotional and cognitive limitations (Cyert & March, 1963; Simon, 1957) and are without a perfect and common knowledge of the situation and of the possible interests and behavior of the counterpart (Lax & Sebenius, 1986).

Figure 1 - Representation of a generic ZOPA with Euler-Venn diagram



³Please refer to the annual financial reports of the Fiat Group for further information regarding the current shareholders of Chrysler Group LLC and related conditions of the Fiat Group's possibilities for increasing the present sharehold.

The literature, over the years, has been discussing mainly how to locate, expand, or even create the ZOPA (Zone of Possible Agreement), which can be defined as the intersection set of those sets representing the different interest configurations of the stakeholders, as represented by a diagram of Euler-Venn. This was done by indicating the strategic manipulation of the elements of the negotiating structures a main way, defined as the set of components and relationships between components that is the basis of negotiation as a joint decision-making process (Gatti, 2008).

The negotiating structure is composed of three basic elements: i) the parties involved, ii) the subjects or issues under negotiation, iii) the preferences, and thus the interests and positions of the parties. Thus, negotiations can be categorized as follows:

1. The *number of parties* involved: in particular, we distinguish the two negotiating sides, bilateral or dyadic, from negotiating to more parts or multilateral ones (Raiffa, 1982). The parties, likewise, can be configured as individual or collective, depending on whether they negotiate both as an individual and a group/organization.
2. The *number of issues* of the negotiation: in particular, we distinguish the one-question negotiations from those with more issues (Raiffa, 1982; Sebenius, 1983).
3. The *configuration of their interests*: we can distinguish the distributive from integrative negotiations. The former are also known as win-lose – or fixed pie – and are configured for conflicting interests of the parties. The latter are defined win-win – or expandable pie – because of the possibility of reaching an agreement satisfactory to all parties (Pruitt, 1981; Walton & McKersie, 1965).

The literature generally stresses that multilateral negotiations often present very different dynamics of development from bilateral negotiations, according to three dimensions: i) wider size, ii) greater complexity, and iii) stronger diversity (Kramer, 1991).

Multilateral negotiations are constituted by several parties, among them heterogeneous ones too, each with its own configuration of interests and issues. This leads to a widened scope of negotiation and therefore complicates the process.⁴

Many negotiation situations contain integrative potential – an increase in the joint gain available to the negotiators over and above the joint gain afforded by a fixed-sum solution – and a primary topic of negotiation research as regards the achievement of integrative agreements.

In negotiations where several issues are under consideration or where several parties are involved, integrative agreements can be achieved through different specific strategies (Bazerman, 2001 ;Thompson, 2001).

The behavioral researches on negotiation and conflict resolution have revealed that negotiators are often inefficient and they fail to reach integrative agreements, although these agreements are frequently available, mutually beneficial, and, therefore, desirable solutions (Moran & Ritov, 2007). Moreover, studies have shown that repeated experience with an integrative negotiation task can improve negotiators' integrative outcomes (Bazerman, Magliozzi, & Neale, 1985; Neale & Bazerman, 1991;Thompson & DeHarpport, 1994; . Thompson & Hastie, 1990).

However, important questions concerning integrative agreements within the multilateral negotiation remain unanswered.

Sebenius(1983, 1992) was among the first to identify the possibility of changing the game as a distinctive element of the negotiation process. The scholar points out how the elements of the negotiation structure – issues, parties, interests and positions – are subject to change during the negotiation process. It is, on the one hand, an implicit and natural evolution of the process itself, while, on the other, it can be strategically guided by the parties.

⁴ A further source of complexity in multilateral negotiations, recognized by the literature, is the possibility for the parties to form coalitions in order to influence the outcome of negotiations. In this regard, the work of Raiffa(1982), Komorita and Kravitz (1983), Murningham and Brass (1991), Polzer, Mannix and Neale(1998), among others, are highly relevant.

This manipulation, known as Negotiation Arithmetic, lets parties change the elements of the structure in a strategic way. This, together with the adoption of a conduct aimed by the so-called *creating value* or by the so-called *claiming value*, allows movement of the negotiations from a distribution side to an integration side, and vice versa, depending on the objective the parties want to achieve.

The adding of issues, which exploits differences of interest between the parties, may be a useful strategy to create value by extending the zone of possible agreements. Similarly, it can have adverse effects, complicating the negotiation process or destroying the possibility of solving other issues. The setting aside or the separation of issues can simplify the negotiation process, but that can lead to complications in the achievement of agreements on other issues. Thus, there are trade-offs that need to be evaluated.

The parties can strategically manipulate the interests and the positions through appropriate actions, such as the link between issues, whether inside or outside the negotiation (Lax & Sebenius, 1986).

According to this approach, another possible strategic way for the shift towards an integrated approach is the manipulation of the number of parties, done by the same negotiation's actors or by external facilitators.

The presence or absence of an interested party may be required to reach an agreement and can also exert a significant influence on the conduct of negotiations. It is clear that the change in the number of parties and issues, especially in the case of an increase in abundance, leads to the complications in the negotiation process (Sebenius, 1983). Consequently, the addition of parties to a negotiation can be successful if they have tangible interests, or might materially influence the negotiation. Encouraging the entry of these parties is likely to reinforce existing coalition or help to form one, thanks to a leverage due to links with new interests and issues (Murnighan & Brass, 1991; Polzer et al., 1998; Raiffa, Richardson, & Metcalfe, 2002). On the contrary, the release of parties from a negotiation may happen for several reasons: to reduce the complexity of the negotiation process, to reduce information costs, or to implement agreements shared by the majority of the original participants (Lax & Sebenius, 1986, 2002; Sebenius, 1983).

Some directions for the rest of the paper can be drawn at this point: i) changing the number of parties can alter the ZOPA compared to the original configuration; ii) the addition of parties can reduce, or eliminate, the risk arising from negotiating between the original parties, or make more "secure" the implementation of an agreement; iii) the increase in parties may modify the strategic aspects of negotiation, improving or worsening the consequences of a failure to agree.

4. Methodology

The aim of this work is to analyze the role that the *third who joins* can play in multilateral negotiation in achieving integrative agreements.

Case study methodology is widely used in management studies (Carnevale & de Dreu, 2006; Yin, 1984). The main reason is that it is a useful methodology for analyzing qualitative characteristics in organizational settings (Berg, 2009; Huff, 2009). Therefore, it has been chosen as the methodological tool for analyzing the negotiation between Fiat and Chrysler.

The main sources of information in order to build up the case study were the Fiat Group company documents and the databases of: *IlSole24Ore*; *The New York Times*, *The Financial Times*, *Forbes*, UNRAE and Italian Stock Exchange. In addition, dossiers developed by consulting firms and banks such as Deutsche Bank, Unicredit, IntesaSanpaolo and Merrill Lynch have been consulted.

After collecting the data, the case study was reconstructed chronologically covering a six-month period starting on January 20, 2009, the day of the aforementioned letter of intent, and ending on June 10, 2009.

The case study was developed according to the components of the negotiation structure: the parties, the issues and the interests. The methodology used for the analysis of the negotiation process is that used for the decomposition of complex problems, founded on the principle of local rationality (Cyert & March, 1963). It works by decomposing a complex problem into simpler problems, linked together by causal links. This technique allows the ability to find a solution to the initial problem, by solving, retroactively, problems simplified.

5. Findings

The analysis of the negotiation process between Fiat and Chrysler has been set according to the general elements of the negotiation structure as evidenced by the literature review: parties, issues and interests.

A first consideration needs to be addressed. In this negotiation, the structure changed several times. This occurred for various reasons and in different ways. Thus, it is useful to analyze separately the elements of the three structures to arrive to a whole analysis.

Parties. The presented case starts with a preliminary agreement. Regarding the number of parties, the negotiation is configured as bilateral: Fiat, on the one hand, and Chrysler, on the other. Table 2 shows the reciprocal concessions between the parties at this stage.

Table 2 - First agreement between Fiat and Chrysler

| Fiat concessions | | Chrysler concessions |
|--|---|--|
| Transfer of know-how and technologies | ↔ | Sale of 35% of the share capital |
| Sharing of the sales network in Europe | ↔ | Sharing of the sales and production sites in the United States |
| Payment of 25 million Euros | ↔ | Sale of an additional 20% stake |

Source: our elaboration on data from the Italian Stock Exchange, 2009

However, the situation of Chrysler – in particular its need to obtain funding from the government – leads to change the negotiation's structure: the "January 20" agreement is more a starting point than an arrival point for the negotiation with the government and social institutions. Hence, these external stakeholders enter the negotiating dynamic.

In order to effectively represent the situation cited above it is useful to design a stakeholders' map which summarizes the role played by the parties in relation to their interests (Table 3). A distinction is made between an actor – defined as a directly involved negotiation's party – and an influencer. An influencer does not sit at the negotiating table, but has a strong interest and influence on the negotiation's outcome. Thus, it is not recognized as a directly involved negotiation's party in a strict sense, since it has only an indirect involvement in the negotiation.

Table 3 - Map of the stakeholders

| Stakeholder | Interests | Role |
|-------------------------------------|--|--------------------------------|
| Fiat | International expansion. Willingness to invest only know-how and technology, but not financial resources. | Negotiation Actor |
| Chrysler | Survive and overcome the crisis. | Negotiation Actor |
| U.S. government | Prestige. Keeping of jobs. National economy. | Influencer → Negotiation Actor |
| Shareholders (Cerberus and Daimler) | Limiting financial losses in Chrysler. | Negotiation Actor → Influencer |
| Unions | Keeping employment and contractual benefits acquired. Recovery of pension credits. | Influencer → Negotiation Actor |
| Banks and creditors of Chrysler | Recovery of entire credit from Chrysler: \$6 billion. | Influencer → Negotiation Actor |
| U.S. Congress | National economy | Influencer |
| Banks supporting Fiat | Investing on the alliance | Influencer |
| U.S. public opinion | National economy | Influencer |

Source: our elaboration on Mariani, 2002.

During the negotiation, as shown in the table, some parties change their role: for example, Cerberus and Daimler, Chrysler's former shareholders, acted as negotiating actors in a first configuration, but then they became influencers after the entry of the U.S. government, the trade unions and Chrysler's creditors.

The parties that changed their role in the negotiation, by external influencers to actors, allowed the altering of the negotiation structure. Other parties, such as Fiat and Chrysler, or the U.S. Congress and the public, maintained, however, their initial role.

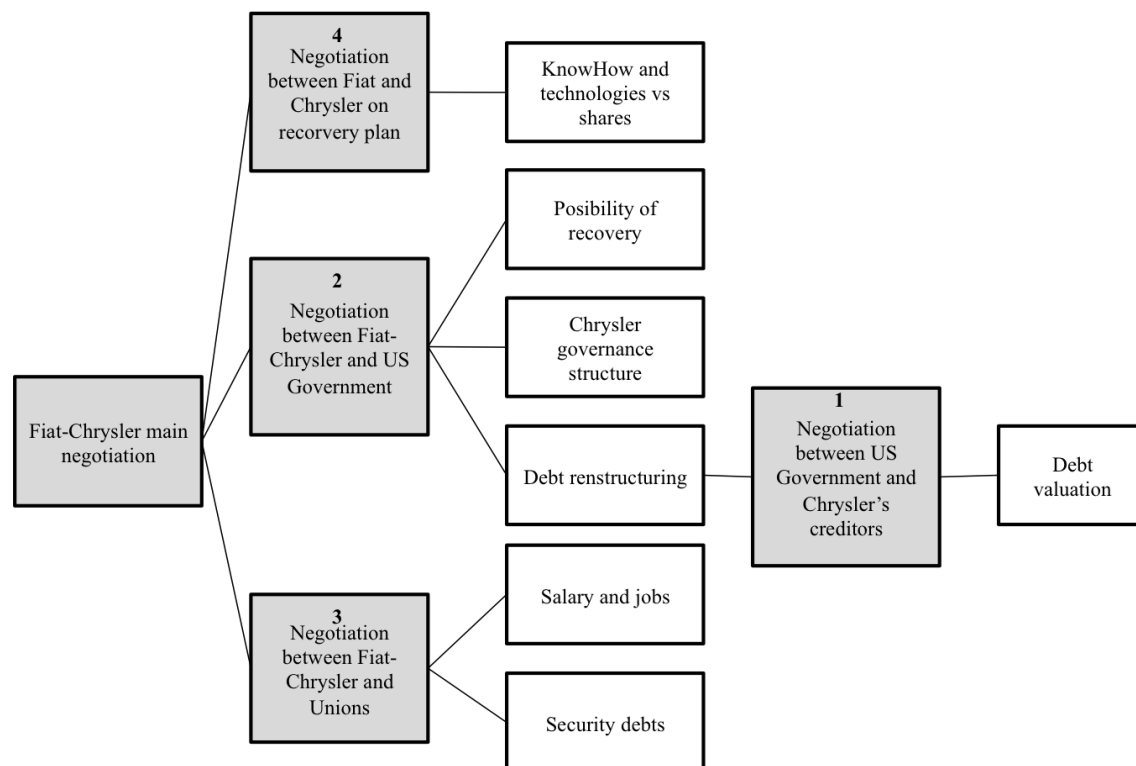
Issues. Regarding the issues related to it, as reported in Table 4, the negotiation is classified as a multiple issues negotiation.

Table 4 - Main issues of negotiation

| Main issues of negotiation |
|---|
| Transfer of know-how and technologies for the construction of environmental-friendly models in the U.S. |
| Maintain jobs and production. |
| Wage of workers of the manufacturing facilities in North America. |
| Debt restructuring of Chrysler. |
| Recovery possibility of Chrysler. |
| Ownership structure of Chrysler. |

Through the identification of the issues, it is possible to draw the diagram in Figure 3. In this figure, the entire negotiation process is broken down into four sub-negotiations (numbered in priority order of analysis), that identify the specific parties involved, as well as the issues. This can be called “negotiating tree” and it allows a deeper understanding of the entire dynamics of the process.

Figure 2 – Negotiating tree on issues



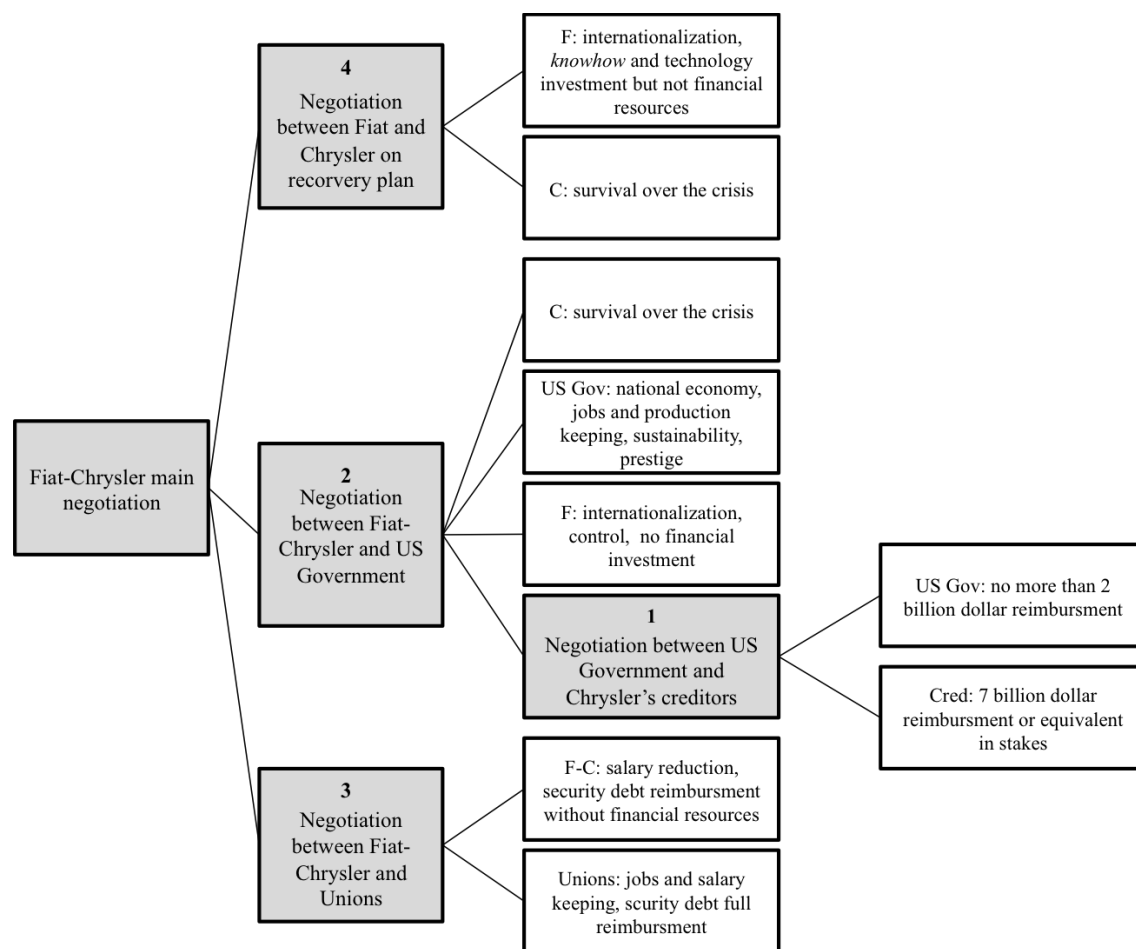
Legends: the numbers from 1 to 4 indicate the order in which the sub negotiations are analyzed within the work.

The scheme identifies, through darker squares, various sub-negotiations, and through the white ones, the subject of these sub-negotiations. For example, the negotiation between Chrysler and the U.S. government focuses on three core issues: the possibility of the recovery of Chrysler, its ownership structure, and its debt restructuring. From the last issue comes out a further sub-negotiation between the U.S. government and the creditors of Chrysler, regarding the evaluation and the restructuring of the debt. Thus, the success of the former depends on the outcome of the latter. This is the reason why this sub-negotiation is attributed to the number 1 in the table, which identifies the priority-setting for the overall definition of the agreement.

However, as far as the sub-negotiation between Fiat-Chrysler and the trade unions is addressed, the two companies are the main players, while the U.S. government assumes only the role of influencer.

Interests. The configuration of the interests has moved, during the negotiation process, from a distributive configuration to an integrative one. In this regard, a reclassification of the *negotiating tree* is introduced based on interests rather than the issues (Figure 3).

Figure3 – Negotiating tree on interests



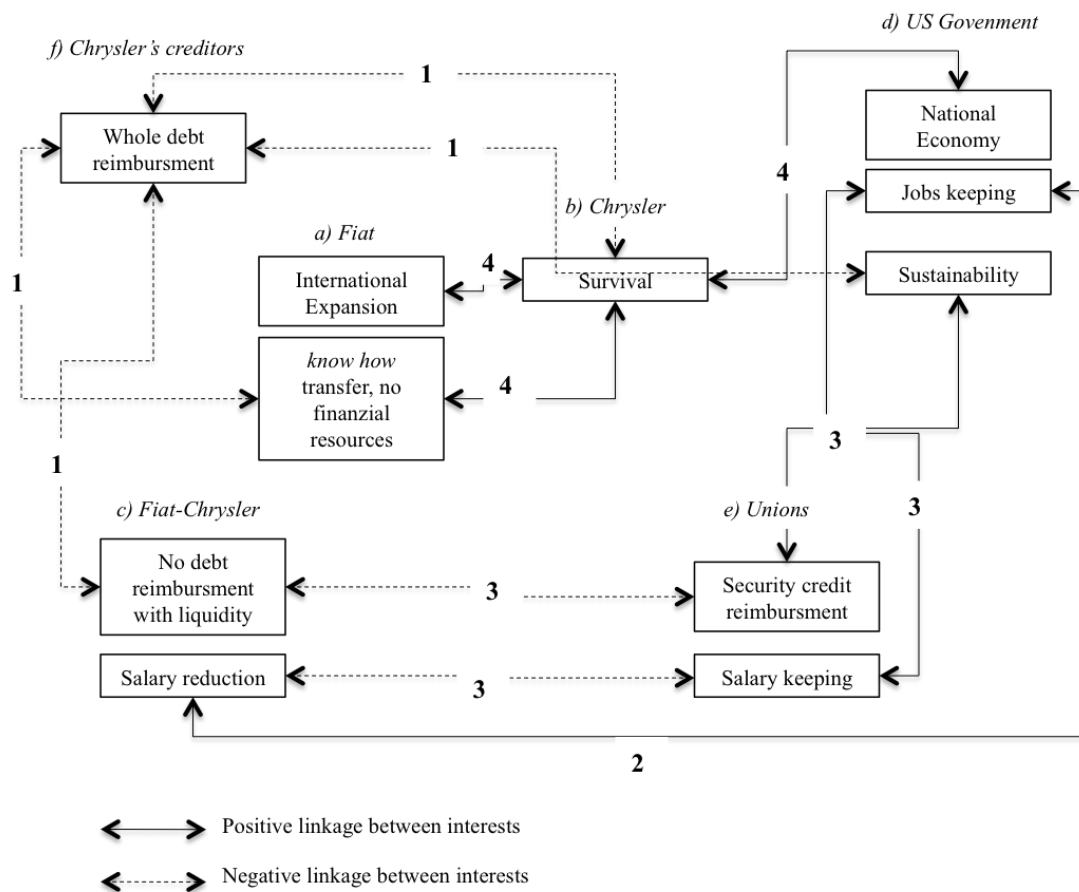
Legends: F. indicates the interests of Fiat; C. indicates the interests of Chrysler, US Gov indicates the interests of the U.S. government, F-C indicates the interests of Fiat-Chrysler, Cred indicates the interests of Chrysler's creditors (banks), Unions indicates the interests of the Trade Unions. The numbers from 1 to 4 indicate the order in which the sub negotiations are analyzed within the work.

The formalization of the interests through the decomposition into sub-negotiations allows to draw a map of their configuration, through which one can understand interdependent influences they had during the negotiation process.

Additionally, Figure 4 is a graphical summary of the connections between the interests in relation to the main negotiating actors. In this regard, six main entities are identified: a) Fiat b) Chrysler, c) the alliance Fiat-Chrysler (considered as a single entity), d) the government of the United States, e) the trade unions, and f) the creditors of Chrysler (Banks and Funds). Through this graphical representation one can relate interdependent influences between the interests. In some cases, these interdependencies allowed to reach a satisfactory agreement, while in others – as in the case of the debt's negotiation – the solution come through a unilateral action.

In the case of positive influence a solid line bidirectional arrow has been used, whereas, in case of totally divergent interests – negative influence – a dashed line has been used.

Figure 4 – Graphic representation of interests and influences



Legends: the numbers from 1 to 4 refer to the sub negotiations analyzed within the work. 1 refers to the negotiation between the US government and Chrysler's creditors, on debt restructuring. 2 refers to the negotiation between Fiat, Chrysler and the U.S. government, on the recovery plan and the stakeholder structure of the new Chrysler, 3 refers to the negotiation between Fiat, Chrysler and the Trade Unions, on the salary and the security debt, and 4 refers to the negotiation between Fiat and Chrysler, on the recovery plan.

From Figure 4, one can see how the interests of Fiat and Chrysler, when considered separately, are closely linked leading to a satisfactory agreement for both the parties. This situation was complicated by the links with the other parties' configurations of interests, which affected the negotiation, at one time, adversely; at other times, positively.

In order to better explain it, these connections are analyzed below for the various configurations of interests within the sub negotiations, taking up the numbering shown in the figures.

1. The first negotiation is between the U.S. government and the banks, creditors of Chrysler, on the assessment of Chrysler debt.

In this negotiation the goal of the government was to safeguard production levels and jobs, along with the economic sustainability of this policy. Conversely, the interest of the banks was to be reimbursed the whole claim against Chrysler. The inability to reach a negotiated agreement was due to the total opposition between both the banks' interests and those of all the other stakeholders, not just the government. The recovery of the credit, in fact, negates the possibility of alliance with Fiat, as well as affects the survival of Chrysler and, consequently, jobs and production. This, ultimately, could lead to an assessment of non-sustainability for the alliance by the government and by the unions. In this negotiation, bilateral and distributive, the ZOPA does not exist. Thus, the negotiation ends with a unilateral intervention by the government, resorting to the Chapter 11 process.

2. The activation process of the Chapter 11 drives the directly related negotiation to a satisfactory outcome for all the parties involved. In this negotiation, in fact, Fiat-Chrysler – as a single entity – and the U.S. government succeed to satisfy their own interests, mainly concerning the survival of Chrysler tied to the economic sustainability of the operation.

3. The third negotiation is between the nascent alliance and the American labor unions, which relates to opposing interests: i) containment of the labor costs by Fiat-Chrysler, in order to make the business plan viable; and ii) keeping the benefits earned and current jobs by the unions. In the negotiation enters the government, who seeks to influence the outcome of the negotiation in favor of reaching an agreement that preserves the jobs. The unions, in particular, gave up some days off and accepted a wage cut, as required by Fiat-Chrysler. In exchange they received shares – whose nominal value was guaranteed by the government – to guarantee repayment of the security debt. Thus, the modification of the negotiating structure, the connection between issues and interests, and the influence and pressure of the government led the negotiation to move from a distributive to an integrative configuration. Through a matrix of utility (Mariani, 2002) this shifting may be represented as shown in Figure 5.

Figure 5 – Matrix of utility

| | Utility of Fiat-Chrysler | |
|-----------------------------|---|---|
| Utility of the trade unions | High | Low |
| High | Work cost reduction – guarantees on security debt repayment | Keeping jobs, salary and benefit level → economic unsustainability of the agreement |
| Low | Dismissals and salary reductions → social unsustainability of the agreement | Chrysler bankrupt → economic and social unsustainability of the agreement |

Source: our elaboration on Mariani, 2002.

4. Regarding the negotiation between Fiat and Chrysler on the recovery business plan, it is fairly easy to identify the area of the agreement and the configuration of the interests. Chrysler was in a deep crisis and the company's only chance of survival appeared to be an agreement with a strong partner in the automotive industry. The negotiation is initially configured as a bilateral, distributive one focusing on the acquisition of shares in Chrysler by Fiat. The agreement, given the crisis of Chrysler and the peculiarities of Fiat, is satisfactory for both the parties. In particular, the acquisition of shares through technology and know-how transfer shifts the outcome into the integrative area. Traditionally, the agreement would constitute a transfer of financial resources to buy shares that would allow Chrysler to recover from the debt issue. Nevertheless, the possibility for Chrysler to get public funds to redress its financial situation sets the basis for an agreement with Fiat based on technology transfer.

6. Conclusions

Sebenius (1983, 1992) directed our attention to the possibility of modifying the structure of negotiations. A new insight found in this study is the idea that the negotiating parties may change during the process, not only internally but also in number. The scholar, therefore, highlights how often the third parties, with linked interests to the issue of negotiation, can enter the negotiations.

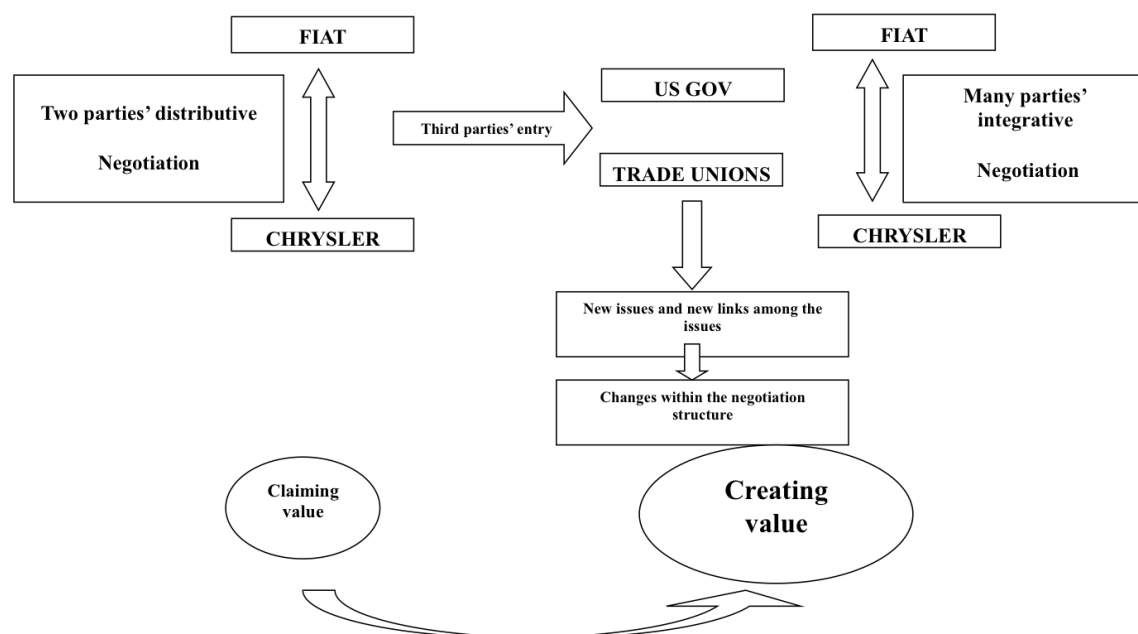
Sebenius identifies four basic elements, detectable in any complex negotiating situation, which can be strategically manipulated: i) interest, issues and positions; ii) alternatives to the agreement; iii) adoption of practices aimed at creating value or not, and iv) the possibility of changing the game.

The analysis of the Fiat-Chrysler case provides a series of results that support the position of Sebenius, that modifying the number of parties and issues brings complications to the negotiation process. In this regard, according to the scholar (1983:308): “. . . the more parties (and issues), the higher the costs, the longer the time, and the greater the informational requirements for a negotiated settlement. Manipulation of the parties can alter these characteristics;” therefore, a greater number of parties involved leads the negotiating dynamics to a higher level of complexity than if it were only between two parties.

Thanks to the development and use of the negotiating tree, the complex negotiation between Fiat and Chrysler has been simplified and analyzed. This allows us to see how the final agreement is generated from the results of a series of interdependent sub-negotiations. Thus, great complication affected the entire negotiating process.

Figure 6 tries to summarize and represent the concept developed by analyzing the negotiating process: how the entry of third parties in the negotiation has changed the structure and the outcome.

Figure 6 – Modification of the negotiation structure



The transition of the structure from a bilateral / distributive to a multilateral / integrative one was possible only through the entry of third parties in the negotiation. These parties have added complementarities between the interests of allocators. Thus, they provided useful links between the issues that otherwise would not have been discovered in the case of a bilateral negotiation. All this drove the parties to creating a value perspective, seeking a common solution that can be satisfying for everybody.

The findings support Sebenius's idea, which identifies how the addition of parties to the negotiation is positive, if they have tangible interests in it, or if they might materially influence the negotiation itself. Promoting the entry of these parties may strengthen an existing coalition or help to form a new one, thanks to the leverage effect created by the entry into the field of new players, new relationships and new interests.

The mutation in the number of parties of a negotiation can change also the configuration of the negotiation from distributive to integrative. This is confirmed by the Fiat-Chrysler case: the entry of third parties had a decisive role in shifting the interests of the individual actors from a singular to a more general level. Thanks to this, the negotiation, which would be purely distributive, develops in an integrative form.

In conclusion, this analysis confirms the widespread theoretical assumptions regarding the change in bargaining structure: the change in the number of parties and issues, especially in the case of an increase in the abundance of these elements, creates complications in the negotiation process. But, the transition of the structure from a bilateral / distributive to a multilateral / integrative one was possible thanks to the third parties' entry.

In this study a positive place is conferred to the entry of third parties in the negotiation, such as the U.S. government and the Trade Unions, because it led to links between issues previously undiscovered. These connections helped the parties themselves to explore the complementarity of their interests to achieve a satisfactory outcome in the negotiation. In this regard, it can be argued that the role of the government was central to the achievement of the outcome.

Given this analysis, some useful implications for research can finally be developed. The discussed case can help one to understand the importance of the strategic management of the negotiating structures. More specifically, in a cooperative perspective between enterprises, the involvement in the negotiation processes of external stakeholders can be positive, as it helps the negotiators to achieve the desired equilibrium within their respective interests.

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